The United States and the Pacific Century
Australian Strategic Policy Institute Luncheon

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Thank you for that kind introduction.

My topic today is the United States and the Pacific Century. One hundred years ago, this would have seemed like a strange topic for a speech. The U.S. in 1910 was experiencing serious growing pains and its expansion seemed to have come to rest on its Western shore. People tend to forget that the 16 battleships of the Great White Fleet were in fact still part of the Atlantic Fleet. The Pacific meanwhile, seemed to be increasingly an extension of the European Century. China was a declining economy, and Asia's nations were largely subjects of European Imperialism mostly by the British, French, and Dutch who dominated much of East and South Asia.

At that time, to speak of a Pacific Century, or U.S. prominence in that century, would have sounded like science fiction. But as John F. Kennedy once said: "Change is the law of life; . . . [T]hose who look only to the past or present are certain to miss the future." The world today is fundamentally different from the world our grand-parents grew up in. Indeed, today we are already in the Pacific Century. Asia-Pacific is the current – and likely future -- center of gravity for the world's population and economic growth. And the U.S., as the world's largest economy and military power, has become even more deeply embedded as a truly Pacific nation and a major force for trade and security in the region.

But as JFK would have reminded us, acknowledging the past and present can cause us to assume incorrectly that if we do nothing things will merely continue in that direction. But of course the opposite is true. The only constant is change, and either we anticipate and respond to those changes or we miss the opportunities of this next century and fall prey to its risks. The vision that was required after the Second World War to first see the coming of the Pacific Century is the same vision that we need today to ensure continued peace and prosperity in that Century. So today, I'd like to talk about the realities and opportunities ahead, the adjustments that we'll need to make, and the new and lasting alliances and partnerships in the region we'll need to forge to shape the future, and address the likely challenges.

As I've said, the Asia-Pacific region is now – and is virtually certain to remain -- the world's economic and political fulcrum. More than half of the world's GDP is in Asia. Asia is home to three of the largest economies in the world, two of which, India and China, are still growing at amazing rates. Asia is also home to over 60% of the world's population and is one of the most important markets for goods produced in Australia and the United States.

So we are already well into the Pacific Century, and as President Obama has reminded us, the United States has long been a Pacific nation. Although the United States started as a handful of colonies on the Atlantic seaboard, manifest destiny brought it across an entire continent onto the shores of the Pacific. At the turn of the last century we clawed our way through the Panama Canal to reach to the Pacific. Our most populous state, our largest state, and our most mineral rich state all sit on the shores of the Pacific, and our newest state actually sits in the Pacific. We fought a long and difficult war to keep this region free, and for the past 60 years we have been committed to maintaining the long-term prosperity and security of this region. In short, we can, we must, and we will remain engaged in the region.

Our engagement for the future must begin with our alliance partners today. U.S. alliances with Australia, Japan, South Korea, Thailand, and the Philippines have been central to the region's security for decades and will continue to be so. Our shared values and commitment to a peaceful, prosperous, and secure Asia-Pacific are the foundation of our efforts to address any challenges the future may present.

While those alliances are the foundation of our involvement in Asia, there is still more building to do. The future will depend on building new relationships and partnerships with countries throughout the region. We have had long, strong and developing relations with many other players in the region including Singapore, New Zealand, and others. We have already begun to increase our cooperation with emerging powers like India and Indonesia – the first and third largest democracies in the world. And we are building new and important partnerships with other countries like Vietnam. Moreover we have increased our engagement in the international architecture of this region, including the ASEAN Regional Forum and APEC. Most recently we have signed the Treaty of Amity and Cooperation with ASEAN. The Secretary plans to participate in the October East Asia Summit with a view towards Presidential participation beginning in 2011.

If we will live in a Pacific Century, there is no doubt that Australia will play a central role in international affairs as an influential independent nation, as a leader of these regional bodies, and as America's great and trusted partner. I cannot think of any other country in the world that straddles the divide between the two sides of the Pacific Ocean to the extent that Australia does. The growing global importance of the Asia-Pacific means

that Australia's unique perspective on international affairs will be of ever increasing significance.

Australia also plays a crucial role with respect to Asia's fastest rising power – China. The relationship between China and the United States is one of the most important bilateral relationships in the world. As one of the closest U.S. allies in the world and one of China's key trading partners, few countries have a greater interest than Australia in a constructive and positive relationship between the United States and China.

Thus from the Australia perspective, I would imagine that China's re-emergence as a global economic power would rank as one of – if not the – most important developments in recent history. In my travels throughout the country I am constantly asked about China, and how its growing power will affect the United States, Australia or the relationship between our countries. Often these questions have negative overtones: including concerns that Australia will be forced to choose between these partners, or fears that its economic future may hinge on trade that could compromise its security future.

Indeed, this appears to be one of the favorite topics of international columnists today – whether Australia faces a choice between its historical alliance with the United States and its growing economic relationship with China. But diplomatic relations are not a zero sum game, and thus maintaining close ties with the United States and expanding engagement with China are not mutually exclusive. Indeed they are desirable.

In fact, Australia ought to and no doubt will continue to expand its economic and political ties with China while simultaneously strengthening and deepening its historical alliance with the United States.

Much of the concern about a supposedly imminent regional rivalry between the U.S. and China seems to be driven by misinformation and, in some cases a lack of perspective. Recently I saw a Lowy poll indicating that 61% of Australians believe that the Chinese economy has already eclipsed the U.S. economy. The fact is that the U.S. economy is three times the size of China's economy. Likewise, there is a steady line of commentary that China's military rivals that of the United States. This is simply not the case. The fact is that the U.S. budget for security is greater than all of the rest of the world's combined, and that its forces are multiplied by its many alliances with critical partners like Australia – which itself has the 10th largest defense budget in the world.

So it's good to keep things in perspective. Nonetheless, China's re-emergence as a global economic power is one of the most important and fascinating stories in recent world history. Until the late 19th Century, the Chinese economy was the world's largest, but more than a century of invasions, civil wars, and Maoist excess left it an impoverished backwater. In the past three decades, however, China has come roaring back, averaging

an annual growth rate of 10% that has resulted in a GDP that is today 70 times the size of what it was when reform and opening began in 1978. Earlier this year China surpassed Japan to become the world's second largest economy, and some economists forecast that if it continues its growth at current rates and the U.S. economy remains sluggish then within 15 to 20 years, it could overtake the United States to regain the mantle of the world's biggest market.

China's growing economic clout has afforded Beijing greater influence in the world, with its burgeoning trade, aid, and investment ties with countries in the Asia-Pacific region and beyond. This in turn has attracted attention not only in the United States and Australia, but around the world.

Of course, China's global presence and influence are worthy of such attention, but we should not confuse reality with hyperbole. China still faces tremendous challenges. While it has lifted hundreds of millions out of poverty, there were still more than 50 million Chinese living beneath the World Bank's poverty line in 2007, with millions more not far above that level. In terms of per capita GDP – as good a stand-in as any for the standard of living – China is where the United States was in about 1910 and still ranks below Albania and Angola. While growth will no doubt continue, China is increasingly experiencing some of the growing pains the U.S. experienced at this stage in its development – dissatisfaction with rising inequality, demand for higher wages, a middle class with emerging expectations and a desire for a greater voice in governance, pressures from trade partners, and demands that China step up to a larger role in supporting development, security and stability abroad.

What can't be denied is that the future of the Asia-Pacific region will be defined in large part by the relationship between the United States and China. But this will not be the battle of rivals, as some pundits might have you believe. Instead, our two countries have committed to building a positive, cooperative, and comprehensive relationship that facilitates ever greater collaboration between our two countries on common global challenges, while allowing us to manage our differences effectively. And that is precisely what President Obama and President Hu Jintao agreed to do at their first meeting on the margins of the London G-20 summit in April of last year. At that time they also agreed to the launch of the U.S.-China Strategic and Economic Dialogue, an annual meeting of our two governments co-chaired by Secretaries Clinton and Geithner and their counterparts Chinese Vice Premier Wang Qishan and State Councilor Dai Bingguo. Since then, our presidents have met five more times, and the Dialogue, known as the S&ED, has met twice, most recently this past May in Beijing. It produced an extraordinary number of agreements on a wide range of subjects, reflecting the increasing depth and maturity of this relationship.

Often media reporting focuses on where our bilateral relationship falls short, but it is important to remember how far we have come. The unprecedented level of engagement under the Obama Administration has produced concrete cooperation on a broad range of economic, security, and environmental issues. We may not always see eye to eye on a particular subject, but we both see the same thing when it comes to the big picture – which is that we will need to work together to solve many of the world's problems that affect our own futures. A strong U.S.-China relationship is a good thing for both countries and for the world.

Over the past few years, we have worked together to stabilize the world economy through the G-20, cooperated on critical proliferation issues such as Iran and North Korea, addressed climate change and promoted energy security. And while there were some frictions earlier this year, we have continued to work with China on important issuesthat resulted in Hu Jintao's attendance at the April Nuclear Security Summit in Washington, D.C. and importantly, Chinese support for the most expansive sanctions resolution on Iran passed by the UN Security Council and an effective UNSC Presidential Statement on the Choenan incident. In short, the overall relationship between the United States and China remains productive and improving.

The United States and China are working to create a sustained and meaningful military-to-military dialogue, a critical part of the bilateral relationship and one that in recent years has lagged behind cooperation evident elsewhere between our two countries. Commentators in both the United States and Australia have raised concerns about the lack of clarity regarding China's strategic intentions and the purposes of its military modernization. Providing greater transparency on our respective military strategies, plans and capabilities, and providing a venue to discuss our respective concerns, is the only way to build strategic trust, prevent miscalculation, and avoid the trap of great power competition.

At the same time that China is becoming increasingly dependent on foreign sources of energy and other raw materials to keep its economy running, it is witnessing a surge in its overseas investments and the numbers of Chinese citizens living and working abroad. On the one hand, these factors have led to frictions with other countries, such as in Africa. On the other, China increasingly shares a stake in maintaining the security of the global commons. For example, its constructive role in policing the waters off the Horn of Africa has contributed positively to international anti-piracy efforts.

Of course we have other challenges in the bilateral relationship as well. Even as we seek to build a closer relationship, the United States will remain committed to promoting our values. We continue to be troubled by the human rights situation in China. We have

very different views about open access to the internet, and we hope for more political openness in China, which is in China's own long-term interest.

The important thing, however, is that we increase dialogue with China to discuss those areas on which we disagree. By continuing to work toward the positive, cooperative and comprehensive relationship that President Obama and President Hu have called for, we hope to establish a relationship that is mature enough to remain focused on the big issues we know we need to work on together without getting derailed every time disagreements arise. We must be able to discuss and manage differences. Even if this causes tension in the short term, in the long term it will make our relationship stronger and facilitate our collaboration on those problems that pose the greatest threats to both our peoples, and the rest of the world.

In dealing with China, we must be direct in our discussions, clear in our expectations, and firm in our values. Some are skeptical that we can develop this kind of a relationship, but we are doing it now and we are committed to it as the best way forward.

The United States welcomes a strong, prosperous and successful China that plays a greater role in world affairs. China is still grappling with its rapid transition from a regional power-focused solely on domestic development and its immediate periphery to a country whose choices in both domestic and foreign policy now have serious ramifications for the rest of the region, and the entire international community. That is why the United States, Australia, and the rest of the world must continue to urge China to move beyond a narrow definition of its own national interests to become a more active contributor to regional and global peace and prosperity.

And this is where Australia can play a unique role. A strong relationship between Australia and China is a vital ingredient in advancing China’s integration into the international community. Many pundits here and abroad suggest we should view the world in binary terms, as China vs. the United States with Australia forced to choose a side. The reality, however, is more complex. The United States, China and Australia all have different perspectives and experiences, but we share the common goal of a peaceful, prosperous, and secure region and planet. The best way to get there is if we stay conscious of this fact, we stay in close and constant dialogue, and we all work together.